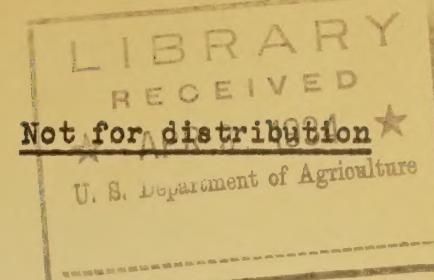


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INSTRUCTIONS TO BE FOLLOWED
in the
PREPARATION OF LICENSES FOR MILK MARKETS

1. Special care should be given each section of a proposed license as to the manner in which each such section fits into the marketing program for the particular market.
2. Review the general and specific instructions for each section of the license.
3. Wherever a small dash appears before a line, an insertion is to be made.
4. Wherever there is an asterisk, number and dash, the instruction sheets should be carefully referred to before making an insertion or deletion.
5. Strike out all notations and reference signs before submitting a proposed license for retyping.
6. In markets where the base-surplus plan is followed in paying producers, it is necessary to modify Exhibit A and to add an Exhibit governing the establishment and transfer of bases for individual producers. Separate forms are provided for this purpose.
7. Proper adjustments are to be made in Exhibit A for markets operating country receiving stations.
8. The schedule of minimum wholesale and retail prices is to be used only where distributors are important producers of milk.
9. If after careful consideration it is deemed desirable to make substantial changes other than those suggested herein, approval should first be had from the Division Chief. The reasons for such changes should be set forth in the memoranda accompanying the proposed license.

THIS SET OF INSTRUCTIONS, INCLUDING THE SPECIAL FORMS, ARE FOR USE WITHIN THE ADMINISTRATION, AND THEY ARE NOT FOR GENERAL DISTRIBUTION.

INSTRUCTIONS

A.

Main Body of License

*1 - Part I - Definition C - Insert description by first naming the cities, and second, the townships, if they exist; otherwise describe any additional territory by metes and bounds. Sales Areas should, as far as practicable, be confined to the metropolitan area and contiguous suburbs. Provisions in the Market Plan relating to inter-dealer sales and sales of milk by distributors outside the Sales Area make it unnecessary and undesirable, from the viewpoint of effective administration, to include large territories as Sales Areas. If space is required, type in an extra sheet and number the same (2a).

*2 - Part II - Paragraph 2 - If the market has a base-surplus plan, the following paragraph should be inserted as Paragraph 2 in lieu of Paragraph 2 as it appears in the form:

"Except as provided in Exhibit A, no distributor shall purchase milk from producers except (a) those producers having bases, which are to be reported as provided in Exhibit B, which is attached hereto and made a part hereof, and (b) new producers pursuant to the provisions of Exhibit A."

*3 - Part II - Paragraph 2 - In the event that there are distributors who produce a sufficient portion of the milk to warrant a schedule of minimum resale prices, the following unnumbered paragraph should be inserted directly under Paragraph 2:

"The schedule governing the minimum prices at which, and the terms and conditions under which, milk and cream shall be sold and/or delivered by distributors shall be that set forth in Exhibit , which is attached hereto and made a part hereof. Any contract or agreement entered into between any distributor and any person, prior to the effective date of this License, covering the sale and/or delivery of milk and/or cream, shall be deemed to be superseded by the terms and provisions of this License in so far as such contract or agreement is inconsistent with any provision hereof."

If there is no base-surplus plan in the market, the Exhibit referred to will be Exhibit B; if there is a base-surplus plan in the market, the Exhibit referred to will be Exhibit C.

*4 - Part II - Paragraph 7 - Whenever there has been a previous License issued for a particular Sales Area, which License is to be revoked, then the new License to be issued should, if the Dairy Section deems it essential, contain the following provision as an unnumbered paragraph directly following Paragraph 7:

"Each and every distributor shall fulfill any and all of his obligations which shall have arisen or which may hereafter arise in connection with, by virtue of, or pursuant to, the License for Milk - Sales Area (or Milk Shed, as the case may be) issued by the Secretary on
"

*5 - Part II - Paragraph 11 - In regulations for the issuance of Licenses, General Regulations, Series 4, Revision 1, it is provided that the notice of the issuance of the License must be at least three days. Therefore, if it is desired to have the License become effective on a shorter period of notice than three days, the following unnumbered paragraph should be included directly following paragraph numbered 11:

"The Secretary hereby determines that an emergency exists which requires a shorter period of notice than three days, and that the period of notice, with respect to the issuance of this License, which is hereinafter provided, is reasonable under the circumstances."

B.

Exhibit A - Marketing Plan

General Notes.

Two methods of paying producers are covered by the following two forms:

FORM I

A blended price for all milk
(No base-surplus plan)

FORM II

A base-surplus plan
(Note that a special schedule "Rules for Establishment of Bases" is necessary with this form.)

Note that special insertions are to be made in each of the above forms because in paying producers there are two distinct variations which arise depending upon which of the following two situations apply:

- A. Where no country plants are operated and all milk is delivered f.o.b. distributors' plants in the Sales Area.
- B. Where country plants and receiving stations are operated and where zone or freight differentials are warranted.

(Note that both forms are drafted, generally, on the supposition that the 90-day clause is the plan used for new producers. From an administrative and enforcement standpoint it is desirable that this provision be used in place of the permit clause for the admission of new producers.)

Since milk is normally measured in hundredweights the quantities of milk are referred to in hundredweight. Where purchases and payments are "per pound butterfat" appropriate changes in terminology should be made throughout the Exhibits.

Illustrative trial balances of Pool Plans have been worked out in four sets. These plans cover the situations outlined above as follows:

Pool Plan No. I is for milk markets which receive their entire supply of milk at plants within the Sales Area, and which pay producers a blended price for all milk.

Pool Plan No. II is for markets which receive their entire supply of milk at plants within the Sales Area, and which pay producers on a base-surplus plan.

Pool Plan No. III is for markets which have country stations and freight differentials, and which pay producers a blended price for all milk.

Pool Plan No. IV is for markets which have country stations and freight differentials, and which pay producers on a base-surplus plan.

FORM I - (BLENDED PRICE) -- Note that several references apply also to FORM II - (BASE-SURPLUS PLAN).

FORM I - SECTION A.

*10 - Form I or II, Paragraph 1, 5 - Insert the letter of the Section dealing with new producers.

*11 - Form I or II, Paragraph 1 - It is preferable that the price of Class II milk be adjusted automatically with changes in the prices of other dairy products since cream from other sources can frequently be diverted into the Sales Area. A suggested form is as follows:

- "Class II - For each hundred pounds of milk, times the average price per pound of 92 score butter at wholesale in the Market as reported by the United States Department of Agriculture for the delivery

period during which such milk is purchased,
plus per cent thereof; plus cents."

*12 - Form I or II, Paragraph 1 - A suggested form is as follows:

- "Class III - For each hundred pounds of milk, times
the average price per pound of 92 score
butter at wholesale in the
- Market as reported by the United States
Department of Agriculture for the delivery
period during which such milk is purchased,
plus cents."

*13 - Form I or II, Paragraph 1 - If the Dairy Section deems it advisable to have more than three classifications of milk, the price for the 4th class should be inserted here. This will require appropriate revision of class definitions and class references throughout Exhibit A and Exhibit B when such exhibit covers establishment of bases. Check this carefully. If there are less than three classifications of milk appropriate revisions are to be made.

*14 - Form I or II, Paragraph 1 - In case the payments by distributors are to be made on a "calendar month" basis, then add the words:

"last day of each month."

If payments by distributors are to be made on a semi-monthly basis, then add the words:

"15th day of each month, or the period from the
16th day to, and including, the last day of each
month."

*15 - Form I, Paragraph 3, subdivision (a), subparagraph (1) or Form II, Paragraph 4, subdivision (a), subparagraph (1) - If there are no country plants, delete the phrase in parentheses:

"(at each location)".

If the permit clause is used for new producers, then delete the phrase in parentheses:

"(and new producers)".

*16 - Form I, Paragraph 4 - Note that there are four different combinations which require different sets of computations as follows:

Computation No. I - 90-day clause; no country plants ()
Computation No. II - Permit clause; no country plants (Pool Plan No. I
Computation No. III - 90-day clause; country plants (Pool Plan No. III
Computation No. IV - Permit clause; country plants (Pool Plan No. III

Note that special forms to fit the above four plans are available so that the appropriate form may be inserted as Paragraph 4 on page 1-4 of Section A of Exhibit A.

*17 - Form I, Paragraph 5 - Where new producers are to be taken care of through the permit clause: (1) delete the following language which is in parentheses:

"(including new producers)" ;

(2) cross out the colon after the word Exhibit; (3) cross out subdivisions (a) and (b); and (4) add the following sentence:

"on the basis of the foregoing blended price".

*18 - Form I, Paragraph 5 or Form II, Paragraph 6 - If there are no country plants, the first Section will be "B"; if there are country plants, the first Section will be "C". The second Section covering deductions from payments to producers should be labeled accordingly with the letter "C" or "D", respectively.

*19 - Form I, Paragraph 6, subdivision (b) or Form II, Paragraph 7, subdivision (b) - If milk is received at country plants, add the following sentence:

"Such credit shall be made after giving effect to the adjustments to be made pursuant to paragraph 1 of Section C, and before giving effect to the adjustments and deductions provided for in Sections C (2) and D of this Exhibit."

If there are no country plants, add the following sentence:

"Such credit shall be made before giving effect to the adjustments and deductions provided for in Sections B and C of this Exhibit."

If the permit clause is used for new producers, delete the phrase in parentheses:

"(and new producers)".

*20 - Form I, Paragraph 8 or Form II, Paragraph 9 - Insert the name of the producers' cooperative and state "hereinafter called the Association". If there are two or more such organizations, then include the following in lieu of the name of the cooperative:

"any functioning producers' cooperative, hereinafter called 'any Association' ('functioning producers' cooperative' means an association which, in the opinion of the Market Administrator, is furnishing services to its members in keeping with the requirements of the terms of this License.)"

FORM II - (BASE-SURPLUS PLAN). -- Special instructions. Most of the instructions follow those set up for Form I.

FORM II - SECTION A.

*25 - Paragraph 5 - Note that there are four different combinations which require different sets of base-surplus computations as follows:

Computation No. I - 90-day clause; no country plants (Pool Plan No. II
Computation No. II - Permit clause; no country plants (Pool Plan No. III
Computation No. III - 90-day clause; country plants (Pool Plan No. IV
Computation No. IV - Permit clause; country plants (Pool Plan No. V

Note that special forms to fit the above four plans are available so that the appropriate form may be inserted as Paragraph 5 on page II-5 of Section A of Exhibit A.

*26 - Paragraph 5, subdivision (e), Computation III; subdivision (f), Computation IV - In those markets where there is an adjustment in Section C (1) for milk delivered in excess of delivered bases, then insert the following in parentheses after the word "adjustments" and before the word "provided":

"(including the adjustments applicable to the quantity of milk represented by the quantity of milk delivered in excess of the total delivered bases of all producers)".

*27 - Paragraph 6 - If the permit clause is used for new producers, delete the phrase in parentheses:

"(including new producers)"

and also subdivision (c).

SECTION B.

*30 - Section B - Adjustments in Payments to Producers - If there are no country plants and all milk is delivered f.o.b. distributors' plants in the Sales Area, then this form is used for Section "B". In this event, Section "C" is apt to be the Section covering deductions from payments to producers.

*31 - Section B - If the permit clause is used for new producers, delete the phrase in parentheses:

"(including new producers)".

SECTIONS B & C.

*32 - Section B - Adjustments in Cost of Milk to Distributors - and Section C - Adjustments in Payments to Producers - If there are country plants operated by distributors so that freight allowances are to be made, then this form is to be used for Section "B". Section "C" is likewise cross-referenced to this instruction. In this event, Section "D" is apt to be the Section covering deductions from payments to producers.

SECTION B.

*33 - Section B - Adjustments in Cost of Milk to Distributors - Here insert the zone or freight differentials for the particular market since the prices in paragraph 1 of Section A are in terms f.o.b. distributors' plants in the Sales Area. Reasonable freight differentials may be allowed for Class I milk. Smaller differentials (usually one-eighth the amount allowed for Class I milk) may be allowed for Class II milk since it can be brought into the Sales Area as cream in more concentrated form. No freight differentials are allowed for Class III milk since it can be manufactured in the country. Country station adjustments may be considered for both Class I and Class II milk, depending upon the basis of purchase.

SECTION C.

*34 - Section C - Adjustments in Payments to Producers - If there are country plants operated by distributors this form is to be used as Section "C".

*35 - Section C - Paragraph 1, 2 - If the permit clause is used for new producers, delete the following phrases in parentheses:

Paragraph 1: "(excluding new producers)"

Paragraph 2: "(including new producers)".

*36 - Section C - Paragraph 1 - Here insert the zone or freight differentials to be used in making payments to producers.

SECTION , Deductions from Payments to Producers.

Note, as a general rule, if the market has no country plants, then this Section is to be labeled C; if the market has country plants, then this Section is to be labeled D.

Where the producers' cooperative furnishes satisfactory direct benefits to its members, deductions are to be made from such members only for the purpose of meeting the cost of operation of the Market Administration. Form A fits this situation. The special form (Form B) may be used in markets where two or more associations operate or where the association does not render direct services to members that are adequate to assist properly in effectuating the purposes of the License.

*40 - Form A - Paragraph 1 - Insert amount which the Market Administrator may deduct for his cost of operation.

*41 - Form A - Paragraph 2 - If there is only one producers' cooperative in the market, then insert the name of the producers' cooperative and state, "hereafter called the 'Association'."

If there are two or more functioning producers' cooperatives, then insert:

"any Association".

*42 - Form A - Paragraph 2; 4, subdivision (b), (c). - Insert the word "the" or the word "any" as the case may be.

*43 - Form A - Paragraph 2 - Insert amount which may be deducted in order to render benefits to nonmembers.

*44 - Form A - Paragraph 4, subdivision (c). - Where new producers are taken care of by the permit clause, then delete the words in parentheses:

"(including new producers)".

*45 - Form B - Paragraph 1 - Insert amount which Market Administrator may deduct for cost of operation and also the additional deductions to furnish benefits.

*46 - Form B - Paragraph 2; 4, subdivision (a), (b), (c). - Insert amount which may be used by the Market Administrator for his cost of operation.

*47 - Form B - Paragraph 4, subdivision (b). - If there is only one functioning producers' cooperative in the market, then insert the name of the producers' cooperative and state, "hereafter called the 'Association'".

If there are two or more functioning producers' cooperatives, then insert:

"any Association"

*48 - Form B - Paragraph 4, subdivision (b), (c), (d). - Insert the word

"the" or the word "any" as the case may be.

*49 - Form B - Paragraph 4, subdivision (d). - Where new producers are taken care of by the permit clause, then delete the words in parentheses:
"(including new producers)".

SECTIONS AS TO THE DESIGNATION OF THE MARKET ADMINISTRATOR AND THE MILK INDUSTRY BOARD

These Sections are to be inserted as part of Exhibit A. Where there are no Country Plants, the Sections will be labeled, respectively, Sections "D" and "E". Where Country Plants are operated, the Sections will be labeled, respectively, Sections "E" and "F".

*50 - Insert either the letter "C" or "D", as the case may be, to refer to the Section relating to "Deductions from Payments to Producers".

SECTION - NEW PRODUCERS

(The letter for this Section will be "F" if form I or II is used for a market with no country plants, and "G" where form I or II is used for a market with country plants.)

The preferred and most satisfactory provision from an administrative and enforcement viewpoint is the "90-day provision". In unusual circumstances, subject to close scrutiny of market facts, the "permit clause" may be included in lieu of the "90-day provision".

*51 - Section New Producers, 90-day Provision, Paragraph 1 - In the event that a base-surplus plan is used, the following unnumbered paragraph should be added:

"The Market Administrator shall allot a base to each new producer prior to the expiration of the first delivery period during which his milk is being sold in the Sales Area, which base shall be allotted in accordance with the provisions of Exhibit B hereof.

Provided, however, that such base shall not be effective for the purposes of Exhibit A until the expiration of said 90-day period."

*52 - Section New Producers, 90-Day Provision, Paragraph 2; or Permit Clause, Paragraph 2 - In the event that a base-surplus plan is used, the following paragraph should be used in lieu of paragraph 2:

"During the emergency period when the normal supply of milk from producers who have established bases is not sufficient to meet the Class I requirements of any distributor, such distributor may, with the prior approval of the Market Administrator, purchase milk of any producer who has no base; provided, however, that in any such event, the producer selling such milk shall be paid for the same depending upon the ultimate use of such milk and at the prices as provided for in paragraph 1, Section A, and such payment shall not be included in the computation as provided in paragraph 1, Section A, but shall be reported separately to the Market Administrator by the distributor who purchased the milk from such producer."

*53 - Section New Producers, Permit Clause, Paragraph 1 - In the event that the market has a base-surplus plan, the following unnumbered paragraph shall be included:

"Whenever a distributor is granted a permit to purchase milk from a new producer, a base shall be allotted to such new producer by the Market Administrator in accordance with the provisions of Exhibit B."

*54 - Exhibit B, Rules for Establishment of Bases - It is a general policy of the Administration to approve of the inclusion of Base-Surplus plans where the same are well established in markets. In view of the fact that the establishment of bases is a considerable undertaking for a market, it is not thought wise to adopt a base-surplus plan as an innovation under a new Agreement and/or License.

*55 - Exhibit B, Paragraph 3 - If the Permit Clause is used in place of the 90-day period for New Producer control, then note that the last sentence of this paragraph should be deleted.

